APPENDIX A

VIRGINIA: IN THE CIRCUIT COURT OF THE CITY OF VIRGINIA BEACH
ON THE 3RD DAY OF OCTOBER, 1975

OCEAN SANDS HOLDING CORPORATION,
a Virginia Corporation
Complainant

v.

COMMONWEALTH OF VIRGINIA
DEPARTMENT OF TAXATION
Respondent

CHANCERY NO. C-75-51
Code # C-1815-75

ORDER

This cause came on this day to be heard upon the pleadings and proceedings previously had herein and upon the ore tenus argument of counsel, in open court, after due and proper notice.

Upon consideration whereof, the Court being of the opinion that the Motion to Quash the Warrant for the collection of taxes issued by State Tax Commissioner, was not properly made, and that the complainant/petitioner has an adequate remedy at law pursuant to Sections 58-43 and 58-1130 of the 1950 Code of Virginia, as amended; and, accordingly, that the petition filed herein seeking injunctive relief is not proper; it is:

ADJUDGES AND ORDERED, That the Motion to Quash and the Petition filed herein on behalf of the complainant/petitioner be, and they hereby are denied and dismissed;

It further appearing to the Court that the ore tenus motion of counsel for the complainant/petitioner for leave to transfer this cause to the Law Docket of the Court and to proceed therein in accordance with Section 58-1130 of the said Code is just and proper; it is:

ADJUDGED AND ORDERED, That the Clerk of this Court transfer this cause to the Law Docket and the complainant/petitioner is hereby granted leave to file amended pleadings herein, as provided by statute, and to have a copy thereof served on the State Tax Commissioner, and to proceed thereafter as by statutes in such cases are made and provided.

To which action of the Court the parties, by their respective counsel, did duly object and note their exceptions.

And this cause is continued.

Enter: this the 3rd day of October, 1975

(S) W. E. O
Judge

Seen and Objected to in part:

OCEAN SANDS HOLDING CORPORATION

by (S) W. J. C.
of Counsel

W. H. Forst
State Tax Commissioner

by _____
Assistant Attorney General

A Copy Teste:
By _____

BEST COPY AVAILABLE

APPENDIX B

VIRGINIA:

In the Supreme Court of Virginia held at the Supreme Court Building in the City of Richmond on Friday *the* 21st *day of* May, 1976.

The petition of Ocean Sands Holding Corporation for an appeal from and supersedeas to an order entered by the Circuit Court of the City of Virginia Beach on the 3rd day of October, 1975, in a certain chancery cause then therein depending, wherein the said petitioner was plaintiff and Commonwealth of Virginia, Department of Taxation, was defendant, having been maturely considered and a transcript of the record of the order aforesaid seen and inspected, the court being of opinion that there is no reversible error in the order appealed from, doth reject said petition, and refuse said appeal and supersedeas, the effect of which is to affirm the order of the said circuit court.

A Copy,

Record No. 760159 Teste:

Howard G. Turner, Clerk

By: Deputy Clerk

APPENDIX C

COMMONWEALTH OF VIRGINIA
DEPARTMENT OF TAXATION

No. 1235

WARRANT FOR THE ENFORCEMENT OF COLLECTION OF TAXES

TO THE SHERIFF OF VIRGINIA BEACH, VIRGINIA GREETING:

We command you, in the name of the Commonwealth, that of the real and personal property, found within your bailiwick of OCEAN SANDS HOLDING CORPORATION

10th & Ocean Front
Virginia Beach, Virginia 23451

you levy upon and sell so much as may be necessary for the payment of the taxes hereinafter listed including penalties, interest, and the cost of executing this warrant, the said taxes not having been paid within thirty days after the same have become due and still being unpaid. The Commonwealth of Virginia, Department of Taxation, is not required to execute and deliver an indemnifying bond as a condition to your levy, and you will not incur liability for action taken hereunder provided your levy and sale is in compliance with the laws of the Commonwealth governing the execution of a writ of *fieri facias*.

VIRGINIA SALES TAX

DECEMBER, 1967 thru JUNE, 1968 Tax and Penalty	$ 2,403.93
JULY, 1968 thru SEPTEMBER, 1974 Tax and Penalty	33,967.35

Total Taxes and Penalties $ 36,371.28 Total Accrued Interest $ 0.00

*Amount due as of date this warrant issued $ 36,371.28

You are further commanded to make return of this warrant to the Department of Taxation on or before FEBRUARY 7, 1975.

SEE COPY ATTACHED FOR DESCRIPTION OF PROPERTY

Given under the hand of W. H. Forst State Tax Commissioner and Chief Executive officer of the Department of Taxation and under the official seal of the said Department of Taxation this 8th day of JANUARY 75

W. H. Forst
State Tax Commissioner

*Additional interest accrues on this amount at the rate of one-half (½%) percent per month or portion thereof if not paid within thirty days of the date of this warrant.

APPENDIX C

DESCRIPTION OF PROPERTY:

Real Estate situated in Virginia Beach, Virginia, on the south side of 18th Street at Ocean Front, designated as Lots 1 and 2 in Square 17 on the Plat of the Property of Virginia Beach Development Company, which said Plat is recorded in the Clerk's Office of the Circuit Court of Virginia Beach in Map Book 1 at Page 13-B; and being the same realty conveyed to Ocean Sands Holding Corp., (Same as Ocean Sands Holding Corporation) by deed from W. E. Strole et als., Trustees, etc., dated May 21, 1964 and recorded in the aforesaid Clerk's Office in Deed Book 893 [illegible]

BEST COPY AVAILABLE

APPENDIX D

COMMONWEALTH OF VIRGINIA

DEPARTMENT OF TAXATION

RICHMOND 23282

December 18, 1974

Mr. Herbert S. Reid, Jr.
Ocean Sands Holding Corporation
T/A Kona Kai Motel
18th and Ocean Front
Virginia Beach, Virginia 23451

Re: Certificate of Registration
No. 22H-085387-9

Dear Mr. Reid:

Enclosed are office audit sales tax assessments in the amount of $56,371.28 for the period of December 1, 1967 through September 30, 1974. These assessments are based upon information obtained from the United States Internal Revenue Service in their recent audit of your account.

Kindly remit payment to this office within ten (10) days from the date of this letter in the enclosed self-addressed envelope.

Sincerely,

Frank W. Lewis

F. W. Lewis, Director
Sales and Use Tax Division

FWL/pbc

Enclosures

APPENDIX D

1 RETURN THIS COPY ALONG WITH YOUR REMITTANCE MADE PAYABLE TO THE DEPARTMENT OF TAXATION IN AN ENCLOSED SELF ADDRESSED ENVELOPE

ACCOUNT NUMBER 085387-9 | G | DATE OF ASSESSMENT 12-18-74 | DO NOT USE THIS SPACE 49 | 5 | OCEAN SAH

FOR DEPT OF TAXATION USE	PERIOD OF AUDIT			TAX	AMOUNT
228D S P	JULY	1968	F	STATE SALES TAX	$ 26,983.65
228D P P	THRU		F	STATE SALES TAX PENALTY	13,491.84
228D L P	SEPTEMBER	1974	F	LOCAL SALES TAX	8,994.56
228D O P			F	LOCAL SALES TAX PENALTY	4,497.30

DETACH HERE

NAME AND ADDRESS OF TAXPAYER
OCEAN SANDS HOLDING CORP
T/A KONA KAI MOTEL
18th OCEAN FRONT
VIRGINIA BEACH, VA. 23451

TOTAL AMOUNT DUE & PAYABLE → $ 93,967.35

IF THIS ASSESSMENT IS INCORRECT OR YOU WISH TO PROTEST THE ABOVE ASSESSMENT YOU MUST DO SO IN WRITING WITHIN 30 DAYS FROM DATE OF ASSESSMENT
THIS STATEMENT DOES NOT INCLUDE ANY ASSESSMENT OF TAX PENALTY OR INTEREST FOR ANY REPORTING PERIOD OTHER THAN SHOWN ABOVE

DETACH HERE

IF PAYMENT HAS BEEN MADE DISREGARD THIS NOTICE
FORM NO ASD 80 (REV. 1-73)

NOTICE OF ASSESSMENT
COMMONWEALTH OF VIRGINIA DEPARTMENT OF TAXATION
P O BOX 1777 RICHMOND VA 23214

IF PAYMENT IS NOT RECEIVED BY THE FIFTY-FIRST DAY FROM DATE OF ASSESSMENT INTEREST WILL BE CHARGED FROM DATE OF ASSESSMENT

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1 RETURN THIS COPY ALONG WITH YOUR REMITTANCE MADE PAYABLE TO THE DEPARTMENT OF TAXATION IN AN ENCLOSED SELF ADDRESSED ENVELOPE

ACCOUNT NUMBER 085387-9 | G | DATE OF ASSESSMENT 12-18-74 | DO NOT USE THIS SPACE 86 | 5 | OCEAN SAH

FOR DEPT OF TAXATION USE	PERIOD OF AUDIT			TAX	AMOUNT
228D S P	DECEMBER	1967	F	STATE SALES TAX	$ 1,068.41
228D P P	THRU		F	STATE SALES TAX PENALTY	534.21
228D L P	JUNE	1968	F	LOCAL SALES TAX	534.20
228D O P			F	LOCAL SALES TAX PENALTY	267.11

DETACH HERE

NAME AND ADDRESS OF TAXPAYER
OCEAN SANDS HOLDING CORP
T/A KONA KAI MOTEL
18TH OCEAN FRONT
VIRGINIA BEACH VA. 23451

TOTAL AMOUNT DUE & PAYABLE → $ 2,403.93

IF THIS ASSESSMENT IS INCORRECT OR YOU WISH TO PROTEST THE ABOVE ASSESSMENT YOU MUST DO SO IN WRITING WITHIN 30 DAYS FROM DATE OF ASSESSMENT
THIS STATEMENT DOES NOT INCLUDE ANY ASSESSMENT OF TAX PENALTY OR INTEREST FOR ANY REPORTING PERIOD OTHER THAN SHOWN ABOVE

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A2

APPENDIX E

COMMONWEALTH OF VIRGINIA

DEPARTMENT OF TAXATION

RICHMOND 23282

January 15, 1975

Mr. Herbert S. Reid, Jr.
Kona Kai Executive Center
Sixteenth and Ocean Front
P. O. Box 199
Virginia Beach, Virginia 23451

Re: Ocean Sands Holding Corporation
Reg. No. 228-085387-9

Dear Mr. Reid:

As you requested in your letter dated January 9, 1975, I am enclosing a copy of the office audit working papers.

The percentage of increase applied against the amount of taxable sales reported under the above-referenced registration were derived from the following figures received from the Internal Revenue Service:

1967 Gross Adjusted Sales	$ 93,288.30
1968 Gross Adjusted Sales	155,740.90
1969 Gross Adjusted Sales	158,800.60

Should you have any questions regarding the audit procedures, Mr. Stuard A. Rock, Supervisor, Office Audit Section of this Division, will be happy to discuss them with you.

Sincerely,

Frank W. Lewis

Frank W. Lewis, Director
Sales and Use Tax Division

FWL:c

Encl.

T/A Kona Kai Motel
Reg# 328-085287

	Gross Sales Dec'63-June'64	Gross Sales July'64-Dec'68	Gross Sales 1969	Gross Sales 1970		Gross Sales 1971	Gross Sales 1972	Gross Sales 1973	Gross Sales 1974
Dec	82.00								
Jan	1588.00		917.00	566.00		356.00	899.00	993.00	799
Feb	297.00		923.00	1985.00		777.00	1226.00	1012.00	1059
Mar	1600.00		1308.00	2051.00		2538.00	2094.00	1911.00	1993
Apr	3513.00		2699.00	3759.00		2695.00	3539.00	2060.63	9593
May	4169.00		6066.00	5235.00		9067.00	8117.00	12960.00	11603
Jun	13300.00		9300.00	13966.00		15659.00	15293.00	22972.56	24397
Jul		19815.00	14932.00	17915.00		24988.00	22532.52	23932.25	25513
Aug		7299.00	8758.00	13190.00		18232.00	19396.32	17105.92	17359
Sept		2042.00	4102.32	2397.00		4620.00	3703.00	9465.03	1658
Oct		1905.00	838.60	1379.00		1158.00	1913.00	1248.32	
Nov		520.00	3603.00	327.00		396.00	450.00	2039.66	
Dec		313.00	463.05	269.00		984.00	456.00	594.00	
Total	29496.00	26394.00	52503.07	65135.00		83659.00	75493.90	95637.37	93705
% of Increase by IRS '67	22.1%		198%						
68	101%	101%							
Average % of Increase by IRS				193%		125%	125%	125%	101
Gross Sales Increase '67	181.22								
68	5323.39								
Total	53420.56	97776.96	80859.13	120981.25		155291.95	139663.78	176923.20	190830
State Tax	1068.91	1953.39	2425.69	3629.44		4582.53	4189.31	5307.85	5939
50% Penalty	534.21	976.69	1212.83	1814.72		2291.26	2094.66	2653.92	2970
Total	1603.12	2929.08	3638.52	5444.16		6873.79	6283.97	7961.77	8909
Local Tax	534.20	977.71	808.55	1209.51		1528.40	1396.89	1769.30	1980
50% Penalty	267.11	488.86	404.28	604.75		764.20	698.45	884.65	989
Total	801.31	1466.57	1212.83	1814.26		2292.60	2095.34	2653.95	2969
Total	2404.43	4395.65	4851.35	7258.42		9166.39	8379.31	10615.72	11878
Dec'63-June'68 S	1068.91				July'68-Sept'74 S	26983.45			
P	534.21				P	13491.84			
L	534.20				L	6994.36			
O	267.11				O	4497.30			
Total	2404.43					53967.35			
Total Assessment									

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